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JUN - 8 1993

FEDERAL COMMUNICATIONS COMMISSION  
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# EX PARTE

June 8, 1993

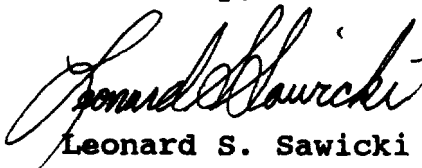
Ms. Donna Searcy  
Secretary  
Federal Communications Commission  
Room 222  
1919 M Street NW  
Washington, D.C. 20554

Re: CC Docket No. 92-77

Dear Ms. Searcy:

Today, Donald F. Evans, Michael Hydock and I met with Mark Nadel and Gary Phillips of the Common Carrier Bureau. The purpose of the meeting was to review MCI's position in this proceeding. The attached material was used in our discussion.

Sincerely,



Leonard S. Sawicki

Attachment

cc: Mr. Nadel  
Mr. Phillips

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**CC DOCKET NO. 92-77**

**COSTS AND**

**COST RECOVERY**

**MCI TELECOMMUNICATIONS CORPORATION**

**JUNE 7, 1993**

## BPP COSTS

- \* THE APPROPRIATE COST ELEMENTS FOR BPP ARE THE DIRECT COSTS ASSOCIATED WITH THE SERVICE**
- \* MOST LECs HAVE INCLUDED GENERAL NETWORK ITEMS THAT WILL NOT BE USED SOLELY IN THE PROVISIONING OF BPP**
- \* PRICE CAP REGULATION INSURES THAT LECs ARE ADEQUATELY COMPENSATED FOR GENERIC NETWORK UPGRADES THAT SUPPORT A VARIETY OF NETWORK SERVICES**
- \* COSTS AS FILED BY THE SEVEN RBOCs TOTAL \$864M IN SET-UP AND CAPITAL COSTS**
- \* APPROPRIATE COSTS FOR BPP, EXCLUDING ITEMS THAT ARE COMPENSATED FOR WITHIN PRICE CAPS, SHOULD BE APPROXIMATELY \$494M FOR THE RBOCs**

## **INAPPROPRIATE BPP COSTS**

**\* OSS7 COSTS**

**\* OPERATOR SWITCH AND SCP EXPANSIONS**

**\* "LOST" REVENUE FROM OPERATOR TRANSFER SERVICE**

**\* EXCESSIVE ESTIMATES OF ONGOING OPERATOR SALARIES**

## **OSS7 COSTS**

**\* OSS7 SHOULD BE TREATED AS A GENERIC NETWORK SIGNALING UPGRADE, LIKE SS7 FOR 800 DATABASE SERVICES AND LIDB**

**\* OSS7 PLATFORM WILL SUPPORT OTHER SERVICES BESIDES BPP AND BENEFIT THE LECs**

"An SS7 operator services signaling scheme is desirable because it is more flexible and extensible than current operator services signaling. Further, OSS7 will facilitate the evolution of Operator Services (OS) architecture and capabilities by using the same signaling protocol to be used by other types of network traffic."

"While the introduction of OSS7 facilitates evolution, OSS7 is intended to support the current base of operator services functionalities and architecture..."

"One of the primary motivations for OSS7 is to obtain the flexibility of SS7 signaling in support of new services and features."

**- Framework Generic Requirements for Operator Services Signaling Using Signaling System No. 7 (OSS7), Bellcore Framework Technical Advisory FA-NWT-001076, Issue 1, August 1990**

**- THEREFORE, THE FOLLOWING OSS7 COSTS SHOULD BE CONSIDERED ENDOGENOUS AND THE LECs SHOULD BE DIRECTED TO EXCLUDE SUCH COSTS IN THEIR TARIFF FILINGS:**

	Millions
Bell Atlantic	\$ 50.0
BellSouth	\$ 72.3
Pacific Bell	\$ 35.0
Southwestern Bell	\$ 103.5
US West	\$ 68.0
Total	\$ 308.8

## **OTHER SET-UP AND INVESTMENT COST CONCERNS**

**NYNEX:               \$18.6M   Operator Switches**

**US West:            \$13.1M   Operator Switches**

**US West:            \$10M    Investment in two  
                                  Service   Control  
                                  Points (SCPs)**

**MCI Position: Network expansion is compensated through the price cap mechanism. Investment in these facilities can be used to support many access and local network services. Inclusion as a cost of BPP is inappropriate.**

## **OPERATOR SALARY EXPENSE**

**\* SUBSTANTIAL AMOUNT CLAIMED FOR BPP EXPENSE**

**\* RBOC TOTAL: \$84 M PER YEAR**

**\* SHOULD BE CONSIDERED A CONSERVATIVE  
ESTIMATE - EXACT NEEDS OF INCREASED OPERATORS**



## **RBOC BPP COST SUMMMARY**

**MILLIONS**

**RBOC FILED COSTS**

**\$ 864**

**INAPPROPRIATE COSTS**

**\$ 370**

**ACTUAL BPP-SPECIFIC COSTS**

**\$ 494**

**ESTIMATED YEARLY COSTS<sup>1</sup>**

**\$ 192**

**COST OFFSETS:**

**COMMISSIONS<sup>2</sup>:**

**\$ 250-\$500**

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<sup>1</sup>ANNUAL COSTS ESTIMATED BY APPLYING A .28 CARRYING COST FACTOR TO CAPITAL INVESTMENT, AMORTIZING THE SET-UP EXPENSES OVER A FIVE YEAR HORIZON, AND INCLUDING 67% OF OPERATOR SALARY EXPENSES.

<sup>2</sup>LOWER END OF COMMISSION SAVINGS ASSUMED TO BE A 50% REDUCTION IN REPORTED COMMISSIONS AND SURCHARGES AS REPORTED IN THE FINAL FCC

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## **COST RECOVERY**

**APPROPRIATE COSTS FOR BPP CAN BE CONSIDERED  
EXOGENOUS WITHIN PRICE CAP RULES**

## **BIFURCATED APPROACH**

**RPP IS THE NEXT STAGE IN EQUAL ACCESS - THE**